WOOD & COMPANY

# Duna House

**Buy**

**Price: HUF 884**
**Price target: HUF 1,189**

## Loan ranger, with dividends to boot

**In this report, we update our forecasts for Duna House (DH), a financial intermediary, a real estate broker and a developer. We set our new price target (PT) at HUF 1,189/share, implying 35% upside, and our rating at BUY (vs. no rating or PT previously). DH works with a network of over 4k entrepreneurs in Italy, Poland, Hungary, Poland, and the Czech Republic, across a network of over 240, mostly franchise, offices. Following its 2022 entry into Italy, financial intermediation accounts for around 80-90% of DH's earnings. Its recent results have been fuelled by the sales of apartments in a residential development in Budapest, which have allowed DH to pay out EUR 25m in dividends over the past 3Y, exceeding our estimate of EUR 22m, and front-loading the payments vs. our original forecast. To put this figure into context, when we initiated coverage of the stock in mid-2022, the shares were trading at a market cap of EUR 46m. We expect the sales of the remaining apartments, as well as a land plot and its HQ office, which it owns, in Budapest, to bring in around a EUR 15m net cash inflow in the next 18M. Additionally, we expect the rate easing ahead to be supportive of the volumes in its core brokerage business. Accordingly, despite the strong performance that the shares have staged since the IPO (a total return of over 300%, or c.20% if annualised, with dividends reinvested), we believe the stock could offer further upside from the current levels.**

**Asset sales continue to boost the FCF in 2024-25E…** We expect Duna House to sell the remaining apartments in the Forest Hill development project in Budapest. We also pencil in the company to sell its office HQ, and a land plot adjacent to the Forest Hill development. We estimate that these sales could generate net cash inflows of around EUR 15m by the end of 2025E.

**…helping to finance generous dividend yields.** In the past 3Y, DH has paid out EUR 25m of dividends to its shareholders. We estimate that, in the next 2Y (2025-26E), DH may pay out over EUR 20m of dividends (a c.14-15% dividend yield p.a. in the next 2Y). We estimate that around half of this amount will be financed by the net proceeds from asset sales, with the rest through the FCF generated from the brokerage business.

**Rate cuts could boost mortgage and RE brokerage.** The poor economic growth of the Eurozone could drive ECB rates to sub-2% by 2026E. The consensus expects rates in Hungary and Poland to also ease. This could help volumes.

**DH targets to operate with net debt to EBITDA up to 3.0x.** Its net debt stood at EUR 16m, or 2.9x EBITDA, as of 2Q24. At 3.0% and 4.5%, the fixed rate that Duna pays on its two HUF bonds (due in 2030 and 2032) is attractive. DH does not face any near-term financing needs.

**12M PT at HUF 1,189/share.** We use a combination of a DDM and a DCF, with a WACC of c.10% and a COE of c.12-13%. DH is trading at 6.8-5.0x EV/EBITDAs and 10.8-6.5x P/Es on our 2024-25E earnings.

**Key risks:** macro; loan volumes; real estate market; commission level; rates and cost pressure. **Triggers:** growing earnings in Italy; a resilient commission rate level in CEE; special dividends; and an entry into new markets.

### Expected events

| | |
|---|---|
| 1H24 report | 30 September |
| 3Q24 report | 29 November |
| 4Q24 report | 28 February 2025 |

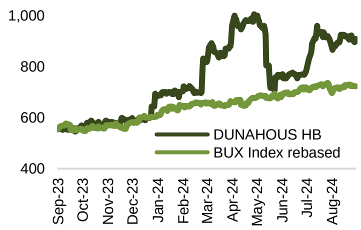
### Key data

| | |
|---|---|
| Market Cap | EUR 77m |
| Free float | c.22% |
| Shares outstanding | 34.4m |
| 3M ADTV (EUR m) | 0.03 |
| Major Shareholder | |
| | Gay Dymschiz (39.2%) |
| | Doron Dymschiz (39.2%) |
| Reuters Code | DUNA.BU |
| Bloomberg Code | DUNAHOUS HB |
| BUX Index | 72,415 |

### Price performance

| | |
|---|---|
| 52-w range | 546-1,005 |
| 52-w performance | 58% |
| Relative performance | 30% |

**Duna House 12M share price performance**




| Year | Revenue (EUR m) | EBITDA (EUR m) | Net profit (EUR m) | EPS (HUF) | DPS (HUF) | Net debt/ EBITDA | P/E | P/BV | Div. Yield | ROE |
|---|---|---|---|---|---|---|---|---|---|---|
| **2021** | 40 | 6 | 4 | 42 | 32 | 2.9x | 9.4x | 1.9x | 8% | 22% |
| **2022** | 77 | 11 | 8 | 99 | 108 | 0.9x | 4.8x | 3.2x | 23% | 70% |
| **2023** | 86 | 8 | 7 | 69 | 131 | 1.8x | 8.1x | 3.6x | 24% | 47% |
| **2024E** | 91 | 14 | 7 | 82 | 122 | 1.3x | 10.8x | 8.1x | 14% | 79% |
| **2025E** | 102 | 19 | 12 | 137 | 132 | 1.1x | 6.5x | 7.1x | 15% | 113% |
| **2026E** | 95 | 17 | 9 | 102 | 100 | 1.4x | 8.7x | 9.7x | 11% | 117% |

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## Closing Prices as of 05 September 2024



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# Investment case: rate cuts may fuel brokerage; sales give tailwind to CF

**Duna House Group (Duna House, DH) operates a network of financial intermediaries and real estate brokers in Italy, Hungary, Poland and the Czech Republic. The company was founded in Hungary in the late-1990s by the Dymschiz brothers, who developed the business and continue to run Duna House as co-CEOs, owning a controlling (78%) stake.**

**Historically, the key driver of earnings was the fees that Duna House received for helping its clients buy and sell apartments. In 2016, the company entered the Polish market, via the acquisition of Metrohouse, a real estate broker. It grew its Polish presence further, with the acquisitions of GoldFinance and ATG. This is when financial intermediation (or mortgage brokerage) became a more important source of its income. Its 2022 entry into Italy, currently its largest and most important market, has further increased the importance of financial intermediation, which currently accounts for almost 90% of revenues. A recently-completed residential development in Budapest has generated significant free cash flow, the bulk of which the company has distributed in very material special dividends, paid out over the past 2Y.**

**As rates decline, we expect a positive impact on real estate transaction and lending volumes across the markets DH in which operates, above all in Italy. The positive effect of higher revenues on the bottom line could be amplified by the significant operating leverage of the business model. Additionally, we expect that, in the next 18M, DH could generate net cash proceeds of around EUR 15m from the sale of the existing assets (completed apartments, a land plot, and an office building). This represents 20% of the current market cap, and could fund additional special dividends, or help finance M&A. We do not include M&A in our forecasts. While there is an inherent risk of overpaying, DH's entry into Italy, via the acquisition of a stake in HGroup in 2022, was a good deal, in our view.**

## Rate cuts could be a positive driver for the brokerage business

Recent economic indicators in Eurozone are pointing to a loss of momentum. This is stemming from falling consumer confidence and softening pricing power in the industrial sector in particular. Following the weak August business surveys, our economists have downgraded our house assessment of the German economy. Coupled with the latest surveys for August, this has led our macro team to revise down their forecasts for European GDP growth in 2025E, and cut some of their inflation forecasts as well.

The upshot of the sluggish macro performance is that, currently, we see some downside risk for our rate estimates. The median of the economists polled by Bloomberg expects the main refinancing rate of the ECB to decline to 2.5%, from 4.25% currently. Given the poor growth performance, there could be some downside to the consensus estimates, and we may see rates heading to sub-2% in 2026E, we believe.

### Median interest rates forecasts, Bloomberg consensus

| | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24E | 2Q24E | 1Q25E | 2Q25E | 3Q25E | 4Q25E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Italy: ECB | 3.5% | 4.0% | 4.5% | 4.5% | 4.5% | 4.3% | 3.7% | 3.4% | 3.2% | 2.9% | 2.7% | 2.5% |
| Poland: NBP | 6.8% | 6.8% | 5.8% | 5.8% | 5.8% | 5.8% | 5.8% | 5.8% | 5.8% | 5.5% | 5.3% | 4.8% |
| Hungary: MNB | 13.0% | 13.0% | 13.0% | 10.8% | 8.3% | 7.0% | 6.5% | 6.3% | 6.0% | 5.5% | 5.4% | 5.3% |

*Source: Bloomberg, WOOD Research*

The economic growth of Italy is nothing to write home about (after 0.9% expansion in 2023, the real GDP is forecast to grow by 0.8% and 1.0% in 2024E and 2025E, respectively, by the Bloomberg consensus). That said, we expect the falling rates to improve affordability, which could help improve volumes.

Duna House estimates that the share of mortgage brokers in total new mortgage intermediation in Italy has increased from around 10% in the years before the pandemic, to around 20% currently. As the number of new bank branches in Italy is falling (from 30-35k in the early-2010s to around 20k currently), financial intermediaries could see further market share gains. With its presence in multiple countries, and its focus on helping to streamline the workflow and making its brokers' lives easier, we believe that Duna House is well-positioned to benefit from this trend.

## Investments: sales could generate a c.EUR 15m net cash inflow in the next 18M

Duna House books the results from the Forest Hill residential development project under the "Investments" segment. DH completed the Forest Hill project in Budapest in 2022. The significant cash inflows that the sales of the apartments generated were the key driver of the significant dividends the company has paid out over the past two years.

Out of the 154 apartments, Duna House has sold 134 already. The remaining 20 apartments could generate revenues of around EUR 6.4m. The majority (EUR 5.6m) of this figure should be net cash inflows for Duna House, the company estimates.

Phase II of the Forest Hill project, located on the same land plot, could see the development of an additional 57 apartments, spanning a 4.6k sqm sellable area. Duna House is considering selling the plot. We pencil in a EUR 2m selling price (HUF 800m), or around EUR 400-450/sqm of buildable area. The land plot is booked in inventory currently, at cost, with a BV of EUR 1m (HUF 400m), or around EUR 220/sqm of buildable area. The selling price should be a pure cash inflow for Duna House.

The company is also considering selling the office building, where its headquartered currently. The building is booked at EUR 0.8m (HUF 300m) in the PP&E. Based on our discussions with the company, we pencil in that the building could be sold for around EUR 2-3m (c.HUF 1bn). We understand that there is no loan on the HQ building. The sale could, thus, generate around EUR 1-2m of profit in the P&L, and around a EUR 2-3m cash inflow, depending on the selling price.

Duna House also owns several completed apartments in Budapest. These are booked currently as “held for sale”, with a BV of EUR 1.3m (HUF 500m). Duna House believes that the book value is representative of the market price at which the apartments might be sold. With no loans attached, the prospective sale would not affect the P&L, but could generate around a EUR 1.0-1.5m cash inflow.

In 1H24, Duna House also purchased 17 apartments in Budapest, for EUR 3.3m (HUF 1,300m). If the Hungarian government introduces its Golden Visa programme, Duna House may sell these apartments. The company expects that it may sell them already by the end of this year. In our model, we pencil in a sale next year, for EUR 3.8m (HUF 1.5bn).

We pencil in that Duna House will have sold all of the remaining apartments in the Forest Hill residential project by YE25E. We also pencil in DH to sell the HQ, the Panorama land plot, and the remaining completed apartments it owns in Budapest in 2025E.

On our numbers, we expect that, in the next 18M, DH could generate revenue from investments of c.EUR 15m. The bulk of this figure should be cash inflow. This would translate into cash proceeds equal to almost 20% of the current EUR 76m market cap.

The proceeds could fuel additional special dividends. They could also help finance M&A, if DH finds a suitable target, which would allow it to expand its geographical footprint into a new country.

From 2026E-onwards, we do not expect any contribution from the investments segment, neither in the P&L, nor in the cash flow. From 2026E-onwards, we expect around 90% of the revenues to be generated by the investments business.

**Property investment**

| EUR m | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|---|---|---|---|---|---|---|
| **Revenue** | **2.8** | **8.7** | **12.7** | **5.2** | **11.9** | **0.0** |
| Direct expenses | 0.5 | 5.0 | 10.2 | 3.2 | 7.7 | 0.0 |
| Gross profit | 2.3 | 3.7 | 2.5 | 2.0 | 4.1 | 0.0 |
| Indirect expenses | 3.1 | 0.8 | -0.1 | 0.0 | 0.0 | 0.0 |
| **EBITDA** | **-0.8** | **2.8** | **2.5** | **2.0** | **4.1** | **0.0** |

*Source: Company data, WOOD Research*

## Financial intermediation: we pencil in the 2024E EBITDA at EUR 9m, vs. EUR 5-6m in 2023

This is the main driver of earnings for the company. Excluding the volatile result from investments (which we do not expect to contribute from 2026E-onwards), we expect the financial intermediation to account for around 90% of the group’s EBITDA in 2024-26E.

Going forward, we pencil in that Duna House will maintain around 6% and 7% market shares in Poland and Hungary, respectively. In Italy, we expect its volumes to grow by around 25% in 2024E, and by 5% in each of the following two years. We estimate DH’s market share in mortgage origination in Italy at around 2%.

We estimate the blended commission level as stable, at around 3.2%, going forward. This is a key variable, and we highlight that the financials are very sensitive to even small changes in this figure. In Italy, we estimate the blended commission level at around 4%, pulled up by the high-margin CQS loans (CQS stands for “cessione del quinto dello stipendio”, which means pension- or salary-backed loans).

### Financial intermediation

| EUR m | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|---|---|---|---|---|---|---|
| **Volume of loans intermediated by Duna House** | | | | | | |
| Hungary | 284 | 227 | 186 | 328 | 319 | 315 |
| growth | 17% | -20% | -18% | 76% | -3% | -1% |
| Poland | 911 | 615 | 691 | 698 | 745 | 819 |
| growth | 76% | -32% | 12% | 1% | 7% | 10% |
| Italy | n.a. | 1,293 | 1,051 | 1,313 | 1,379 | 1,448 |
| growth | n.a. | n.a. | -19% | 25% | 5% | 5% |
| Hungary market share | 6.7% | 7.5% | 7.0% | 8.0% | 8.0% | 8.0% |
| Poland market share | 4.6% | 6.6% | 5.0% | 5.0% | 5.0% | 5.0% |
| Blended commission rate in PL and HU | 2.3% | 2.7% | 3.3% | 3.3% | 3.3% | 3.3% |
| **Revenue** | **27.0** | **58.3** | **63.6** | **76.0** | **80.1** | **84.5** |
| Direct expenses | 21.1 | 41.6 | 46.5 | 55.1 | 56.1 | 59.1 |
| Gross profit | 5.8 | 16.7 | 17.1 | 20.9 | 24.0 | 25.3 |
| Indirect expenses | 2.0 | 9.0 | 11.6 | 10.0 | 10.2 | 10.5 |
| **EBITDA** | **3.8** | **7.7** | **5.5** | **10.9** | **13.9** | **14.9** |
| Gross profit margin | 22% | 29% | 27% | 28% | 30% | 30% |
| EBITDA margin | 14% | 13% | 9% | 14% | 17% | 18% |

*Source: Company data, WOOD Research*

## As of end-2Q24, DH's net debt stood at EUR 27m, or 2.9x TTM EBITDA

We expect the net debt to decline in absolute levels in 2H24E, driven by cash inflows from the brokerage business and inflows from apartment sales. At the same time, the leverage (relative to the EBITDA) should improve further, as we estimate the 2024E EBITDA (including the investment sales result) at EUR 13-14m (while the trailing 12M EBITDA was at EUR 9m by 2Q24).

We estimate DH to operate with net debt to EBITDA of around 1x across our forecast horizon. At a fixed rate of 3.0% and 4.5%, the interest that Duna pays on its outstanding bonds (HUF denominated) is very attractive, especially following the steep increase in the borrowing costs of the past 2-3Y.

Going forward, there are four key drivers behind its financial position.

1) The inflows from the sale and handovers of the residential development project in Budapest, and the sale of the office building, the land plot, and the remaining apartments in Budapest could generate a EUR 11-12m inflow in the next 12M, we estimate.
2) We pencil in the remaining business (mostly financial intermediation) to make around EUR 10m annually – but we note that the business, as well as the cash flow, can be highly cyclical.
3) This should allow Duna House to continue to pay out dividends (which has constituted the most significant cash outflow for the company in recent years), while keeping its leverage around its target, of up to 3.0x net debt to EBITDA.
4) If there was an opportunity, we cannot rule out that the company might enter a new market via M&A. We are not sure how likely any prospective M&A are, but we understand that the company is actively looking for targets and has confirmed having ongoing discussions with potential sellers.

In 2022 and 2023, Duna House was recording positive net interest income. This was driven by the high interest rates in Hungary, which allowed the group to generate significant returns on its cash reserves. As the rates have declined, we have returned to net interest expense. In the country breakdown, DH has been booking the interest income / expense under "Hungary", which is the reason behind the drop in the profit between 2023 and 2024E.

Duna House has two outstanding bonds. Both of them were issued using the MNB's Bond Funding for Growth Scheme. The HUF 6.9bn, 10Y bond, issued in September 2020 (HU0000359914), has a fixed coupon of 3%. The HUF 6.0bn 10Y bond, issued in January 2022 (HU0000361217), has a fixed coupon of 4.5%. The group will start to amortise the first bond in 2026E (20% yearly amortisation up until 2030E). The second bond amortisation begins in 2028E, up until 2032E, inclusive (also 20% p.a.).

The company's debt is rated at BB- by Scope. The latest update is available here.

## Dividends

We pencil in that DH may have the capacity to pay out around EUR 10m in both 2025E (from the 2024E profit) and in 2026E (from the 2025E profit). This would translate into a c.13-14% dividend yield in each of the next 2Y.

Going forward, the boost that the results may get from property sales may be over. We estimate that Duna House may still have the capacity to pay out around EUR 5-10m in dividends, but we caution that the payout policy (53% of the profit after tax, with 6% to preference shares and 47% to ordinary shares) may imply that the dividends could be lower (around EUR 4-5m, on our estimates, paid out in 2027E-onwards). This would imply a mid-single digit dividend yield, on the current share price. That said, we note that, in recent years, Duna House has been paying out over 100% of its net profit. While this has been due to the cash inflow from sales, it could suggest that the company may not be too concerned about sticking exactly to its target.

## Valuation

We set our 12-month price target (PT) for Duna House at HUF 1,189/share, assigning equal weights to our DCF and DDM. Offering 35% upside, this yields a BUY rating. We use a COE of 11.7-13.1% and a WACC of 10.0-10.4%. On our 2024E estimates, Duna House is trading at an EV/EBITDA of 6.8x and a P/E of 10.8x.

## Risks

High operating leverage could amplify both up and downside risks. A macro slowdown; lower loan volumes; weaker real estate market and fewer transactions; a lower commission level; rates staying elevated; cost pressure weighing on margins; overpriced M&A; and limited publicly available information on the mortgage market in Italy are other risks that we see for Duna House.

## Triggers

Dividends; growing earnings in Italy; the gradual improvement of results in Poland and Hungary; and an entry into new markets.

# Company overview

**Duna House (DH) is a financial intermediary, a real estate broker and a developer.** The company works with a network of over 4.0k entrepreneurs in Hungary, Poland, the Czech Republic and Italy, across over 240 offices. The real estate agents working with Duna assist people with buying and selling apartments, while the financial experts help them to secure financing for these purchases. For this, they earn a transaction fee, or commission income from the banks (in the case of the loan intermediation). In the 3Y before DH's entry into Italy (2019-21), the blended commission fee level was very stable, at 2.25% of the loan volumes intermediated. The entry into Italy, where Duna House brokers CQS loans – a high-margin product – pushed the average rate substantially higher, to 3.3% as of 2023. We estimate that the blended commission run-rate Duna House earns in Italy at around 4%, thanks mainly to the high-margin CQS loans. Duna House also receives commissions from other mortgage-related products, which are non-volume-based. This means that the actual average rate of commissions is slightly lower, with the remainder driven by fees on non-volume based products (e.g., insurance). The company has recently launched DH Energy, a new business line where it plans to exploit long-term potential in energy efficiency solutions for households.

**Duna House is one of the two leading players in Hungary, its home market.** In Hungary, Duna House had 134 franchise branches, of which 8 own offices, at the end of 2Q24. DH's main competitor in Hungary in real estate brokerage and financial intermediation in Hungary is Otthon Centrum (OC). OC has, historically, had a higher number of offices in Hungary, but has trailed DH, historically, on revenues. With its recent acquisition of Open House, OC has consolidated its leading position in Hungary (currently, it has 164 offices across the country). In 2023, OC entered the Polish market, gaining around 120 offices via the acquisition of two Polish real estate and financial brokers. We estimate that around half of the new mortgage loans in Hungary are arranged directly via banks, while around half of mortgage applicants use the services of financial intermediaries. The commission level is fixed by law in Hungary, at a maximum of 1.6%, with an additional 0.4% as trailing commission in the first 5Y of the loan. DH expects to reach EUR 2.5m in clean core EBITDA in Hungary (excluding one-offs and income from investments). This should be around 25% of the total EBITDA for the year, according to the guidance. We estimate that, in mortgage intermediation, DH's market share in Hungary has been hovering around 7% in the past 5Y.

**DH entered Poland in 2016 through its acquisition of Metrohouse (the local leading real estate broker), and expanded the loan brokerage business significantly, later, through the acquisitions of Gold Finance (2018) and ATG (2020).** DH has a network of 106 offices currently (of which 99 franchise and seven own offices) in the country. Before it acquired Gold Finance (which was the fifth-largest loan broker then), Duna had a market share of 1.2% in the Polish loan brokerage market (with the existing loan brokerage subsidiary of Metrohouse). Through the acquisition of Gold Finance and ATG (the sixth largest at the time), DH became the fourth-largest player in Poland, with a market share in financial intermediation of around 5-6% since 2021. The largest financial advisor/intermediary in Poland is Expander.pl. DH is the largest independent broker in Poland (not owned by an insurance company or a bank). Unlike in Hungary, the commission level in Poland is not fixed by law. In periods when the banks are looking to attract more business, the commissions are higher; while, during risk-off times, they decline. We estimate that, during the past 3Y, the blended commission level that DH has been receiving in Poland for financial intermediation has stood at around 2.2-2.3%, on average. In 2024E, the guidance implies DH may generate around EUR 1.2m, or 10% of its clean, core EBITDA in Poland. We expect that, over time, as the rates decline, the operating leverage could start to work in DH's favour again, and the rate of the earnings growth exceed the pace of the top-line expansion. In Poland, we see room to improve the cross-selling between the financial intermediation and the real estate brokerage.

**In early-2022, Duna House entered Italy, by acquiring a 70% stake in HGroup**, an established financial intermediation company and an up-and-coming real estate brokerage. The deal valued the entity at an EV of c.EUR 30m. The price was agreed as a 10.5x multiple of the 2021 consolidated EBITDA (adjusted for taxes and one-off items) of EUR 2.9m. The transaction is being paid in tranches (there are two remaining, one in 2024E and 2025E, which we estimate at around EUR 2-3m altogether). HGroup offers two major financial services: loan intermediation and insurance brokerage. The Credipass brand, which helps clients obtain mortgages and personal loans, generates the majority of HGroup's earnings. This is followed by Medioinsurance, which offers insurance products. Recently, DH spun off a loss-making Italian real estate brokerage activity (under Realizza and Relabora brands), which was taken over by ProfessioneCasa. ProfessioneCasa is a real estate broker in Italy, in which DH bought a 10% stake in October 2023. There is a long-term agreement between ProfessioneCasa and Duna House regarding cross-selling. DH and its subsidiaries (Credipass and Medioinsurance) are the exclusive loan brokerage and insurance brokerage services providers for the clients of Professione Casa for at least up to 2038E. DH expects to reach gross profit of around EUR 2m p.a. by 2025-26E from the cooperation. It pays a variable fee to ProfessioneCasa, based on the volume and quality of leads generated by the cooperation.

# Financial forecasts

### Cash flow

In 2017-20, following DH's entry into Poland, the results, from a cash flow perspective, were not particularly strong. In aggregate, the operating cash flow (after WC changes) was a negative EUR 6m during the period. With EUR 5m spent in investing cash flow during this period, the period between the IPO and the start of the pandemic was quite substantially free cash flow negative.

The key reason for this was the development of the Forest Hill apartment complex in Budapest. In 2021, both operating cash flow and investing cash flow (boosted by the sales of assets) turned positive, allowing for a dividend payment of EUR 4m. In 2022, despite the acquisition of HGroup, the FCF was also materially positive, at EUR 16m, boosted by the income from the apartment sales. In 2023, we also saw a robust performance, with the FCF reaching EUR 10m. Altogether, in 2021-23, DH generated FCFF of EUR 29.1m. This amount corresponds almost exactly to the dividends the company has paid out over 2021-24 ytd (EUR 28.5m).

Going forward, we expect to see Duna House collecting cash inflows from the sales of apartments, the Panorama land plot (which is adjacent to the Forest Hill residential project), and its HQ office building in Budapest, at around EUR 10m altogether in the next 18M. Beyond these non-recurring effects, we expect the underlying mortgage and real estate brokerage business to make around EUR 10m in FCF annually in the near term. We expect the proceeds from the sale of assets to fund yet another one-to-two special dividends. After this, we believe that the amount of dividends DH will be able to distribute will be driven by the FCF generated by the recurring, underlying business.

**FCFF reconciliation**

| EUR m | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating CF | 2.2 | 5.1 | 4.5 | 4.4 | 5.3 | 10.5 | 9.5 | 13.9 | 19.5 | 16.5 |
| WC Changes | -6.7 | -2.9 | -7.6 | -4.7 | -3.1 | 11.0 | -1.4 | -4.1 | 2.8 | -3.1 |
| Net operating CF | -4.5 | 2.2 | -3.1 | -0.3 | 2.3 | 21.5 | 8.2 | 9.8 | 22.3 | 13.4 |
| Investing CF | -1.3 | -1.1 | -1.1 | -1.3 | 0.7 | -5.4 | 1.8 | -0.6 | -12.5 | -3.4 |
| **FCFF** | **-5.8** | **1.1** | **-4.2** | **-1.5** | **3.0** | **16.1** | **10.0** | **9.2** | **9.8** | **10.1** |

*Source: Company data, WOOD Research*

### P&L

Due to the high operating leverage, the results can fluctuate significantly. During 2017-20, the EBITDA margin ranged between 17 and 28%, with the EBITDA growing from EUR 3m in 2017 to EUR 7m in 2018, only to fall to EUR 4m by 2020.

Following the entry to Italy, in the past 2Y (2022-23), the EBITDA ranged around EUR 10m annually – although the margin has, again, been volatile (15% in 2022 and 10% in 2023).

In 2024E, we pencil in the total consolidated EBITDA (including the results from the sale of apartments, unlike the clean core EBITDA that DH guides for) to reach EUR 13-14m, around a 15% margin.

We expect that, in 2025E, the EBITDA could rise to around EUR 18-19m (a 19% margin), driven by the recovery of the volumes of financial intermediation, and a strong result from asset sales (apartments, HQ, and land plot). From 2026E-onwards, we expect no contribution from the investments, and we pencil in the EBITDA to decline marginally as a result, to EUR 16m.

**Key P&L items and margins**

| EUR m | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Revenue | 15.1 | 25.0 | 24.3 | 25.9 | 40.3 | 77.4 | 86.0 | 90.5 | 102.1 | 95.1 |
| Gross profit | 7.9 | 12.0 | 11.0 | 10.1 | 14.8 | 27.2 | 25.9 | 29.4 | 35.1 | 32.8 |
| EBITDA | 3.0 | 6.9 | 4.9 | 4.4 | 5.6 | 11.4 | 8.3 | 13.9 | 19.5 | 16.5 |
| EBIT | 2.7 | 6.6 | 4.2 | 3.7 | 4.7 | 8.8 | 5.2 | 10.5 | 16.2 | 13.1 |
| Net Profit | 2.9 | 5.3 | 3.2 | 3.8 | 4.1 | 7.5 | 7.1 | 7.4 | 12.0 | 9.1 |
| Minorities & other comprehensive income | 0.1 | 0.0 | 0.1 | 0.0 | 0.1 | 1.3 | -0.7 | 0.0 | 0.0 | 0.0 |
| Net profit to shareholders of Duna House | 3.0 | 5.4 | 3.3 | 3.9 | 4.2 | 8.8 | 6.4 | 7.4 | 12.0 | 9.1 |
| Revenue growth | n/a | 66% | -3% | 7% | 56% | 92% | 11% | 5% | 13% | -7% |
| Gross profit margin | 53% | 48% | 45% | 39% | 37% | 35% | 30% | 32% | 34% | 34% |
| EBITDA margin | 20% | 28% | 20% | 17% | 14% | 15% | 10% | 15% | 19% | 17% |
| Net profit margin | 20% | 21% | 13% | 15% | 10% | 11% | 7% | 8% | 12% | 10% |
| | | | | | | | | | | |
| DPS (EUR/share), fiscal | 0.04 | 0.06 | 0.08 | 0.00 | 0.11 | 0.08 | 0.28 | 0.33 | 0.30 | 0.33 |
| Dividend payout ratio (ordinary), fiscal | 49% | 35% | 79% | 0% | 89% | 32% | 153% | 177% | 140% | 94% |
| BVPS (EUR/share) | 0.43 | 0.50 | 0.49 | 0.55 | 0.55 | 0.37 | 0.40 | 0.27 | 0.31 | 0.23 |
| Net Debt | 5.7 | 6.9 | 14.4 | 15.1 | 16.4 | 10.4 | 15.0 | 18.5 | 20.7 | 23.9 |
| ROE | 20% | 31% | 19% | 20% | 22% | 70% | 47% | 79% | 113% | 117% |

*Source: Company data, WOOD Research*

## Balance sheet

We expect to see the net debt hovering around EUR 10-15m in the coming years. This is broadly comparable to the levels at which we expect to see the EBITDA in the next 3Y (around EUR 15m). DH targets to operate with a net debt to EBITDA of up to 3.0x. Barring M&A, or a contraction in earnings, we do not expect the leverage to increase to uncomfortable levels. That said, we note that, due to the cyclicality and high operating leverage of the business model, in adverse market conditions, the earnings could fall, which could prompt the net debt to increase north of the target, even in the absence of a dividend. In turn, it is possible that the dividend may be discontinued temporarily, as was the case in 2020 (we note that, here, the cash eventually made its way back to shareholders anyway, as the company made up for the shortfall in 2020, with a higher payout in the following year).

### Capital structure

| EUR m | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|---|---|---|---|---|---|---|---|---|---|---|
| Total debt | 7.3 | 9.3 | 19.3 | 32.1 | 30.5 | 37.0 | 36.6 | 36.6 | 36.6 | 33.0 |
| Cash and cash equivalents | 1.6 | 2.4 | 4.9 | 17.0 | 14.1 | 26.6 | 21.7 | 18.1 | 16.0 | 9.1 |
| Net debt | 5.7 | 6.9 | 14.4 | 15.1 | 16.4 | 10.4 | 15.0 | 18.5 | 20.7 | 23.9 |
| EBITDA | 3.0 | 6.9 | 4.9 | 4.4 | 5.6 | 11.4 | 8.3 | 13.9 | 19.5 | 16.5 |
| Net debt to EBITDA | 1.9x | 1.0x | 3.0x | 3.4x | 2.9x | 0.9x | 1.8x | 1.3x | 1.1x | 1.4x |

*Source: Company data, WOOD Research*

## Guidance

In its 2Q24 results presentation, Duna House reiterated its guidance for the clean core EBITDA and profit after tax per country. The company expects the 2024E clean core EBITDA to range from EUR 9.8m to EUR 11.6m. At the midpoint of the 2024E guidance (EUR 10.7m), the clean core EBITDA could increase by c.52% yoy.

The largest contributor of the clean core EBITDA is Italy, which accounts for around two-thirds of the group's total.

We do not forecast the clean core EBITDA. We forecast the regular EBITDA (which includes the results from investments), at EUR 13.9m.

In 1H24, DH reached 51% of the mid-point of its clean core EBITDA guidance for the year, and 58% of its profit after tax guidance.

Based on the guidance provided by the company, all countries should deliver better EBITDA in absolute values compared to last year.

On the profit after tax, the company is guiding for EUR 4.5-6.0m. In 2023, DH reached EUR 5.1m in profit after tax. At the midpoint of the guidance (EUR 5.2m), this marks only a 2% increase vs. 2023. This is caused by lower profit after tax from Hungary, which could be down by c.53% compared to last year, driven by the decline in the interest rate in Hungary – in 2022 and 2023, DH was recording interest income, as its cost of debt was lower, at the absolute level, than the interest on its HUF cash deposits.

At the midpoint of the guidance, the profit after tax from Poland and Italy might increase by 45-52% yoy.

## Duna House: 2024E guidance

| Clean core EBITDA (HUF m) | 2023 | 2024E guidance | |
|---|---|---|---|
| | | lower bound | upper bound |
| Hungary | 776 | 970 | 1,240 |
| Poland | 383 | 390 | 560 |
| Czech Republic | -18 | -15 | 20 |
| Italy | 1,541 | 2,520 | 2,730 |
| **Total** | **2,683** | **3,880** | **4,550** |
| **Profit after tax (HUF m)** | | | |
| Hungary | 949 | 340 | 580 |
| Poland | 133 | 130 | 270 |
| Czech Republic | -27 | -40 | 0 |
| Italy | 905 | 1,340 | 1,490 |
| **Total** | **1,960** | **1,810** | **2,340** |
| **Clean core EBITDA (EUR m)** | | | |
| Hungary | 2.03 | 2.47 | 3.16 |
| Poland | 1.00 | 0.99 | 1.42 |
| Czech Republic | -0.05 | -0.04 | 0.05 |
| Italy | 4.04 | 6.41 | 6.95 |
| **Total** | **7.03** | **9.83** | **11.58** |
| **Profit after tax (EUR m)** | | | |
| Hungary | 2.49 | 0.87 | 1.48 |
| Poland | 0.35 | 0.33 | 0.69 |
| Czech Republic | -0.07 | -0.10 | 0.00 |
| Italy | 2.37 | 3.41 | 3.79 |
| **Total** | **5.14** | **4.50** | **5.95** |

*Source: Company data, WOOD Research*

# Valuation

**We set our 12-month price target (PT) for Duna House at HUF 1,189/share, assigning equal weights to our DCF and DDM valuations. Offering 35% upside, this yields a BUY rating.**

**Duna House: valuation summary**

| Valuation Models (HUF) | Fair value (HUF) | Weight | Upside |
|---|---|---|---|
| DCF | 1,215 | 50% | 37% |
| DDM | 1,164 | 50% | 32% |
| **Weighted average PT** | **1,189** | | |
| Share price | 884 | | |
| **Upside** | **35%** | | |

*Source: WOOD Research*

## DCF

We use a 10Y DCF model, which yields a 12M PT of HUF 1,215/share, offering 37% upside to the current price.

The key assumptions in our DCF model include:

- ✓ A WACC of 10.0-10.4%, starting with a risk-free rate of 4.8%, calculated as a weighted average of the Hungarian, Czech, Polish and Italian 10Y government bonds, based on the 2024E EBITDA contribution.
- ✓ An equity risk premium of 4.5-4.7%, calculated as the weighted average of individual equity premiums for Hungary, the Czech Republic, Poland and Italy, based on the EBITDA contribution in a given year.
- ✓ A levered beta of 1.43x in 2024E.
    - We looked at Damodaran's database of betas for Emerging markets, and the beta for Real Estate operations and services stands at 0.4x, which we believe does not reflect the reality in the current macro environment.
    - Instead of taking Damodaran's beta, we looked at selected real estate brokerage peer companies in our group and we used the raw beta calculated by Bloomberg, which we adjust back by a reversal calculation to unlevered beta. The average of the unlevered betas for our group stands at 1.05x.
    - Having an unlevered beta of 1.05x, we then re-levered this beta based on the capital structure of Duna House, so the beta is at 1.43x in 2024E.
- ✓ A marginal cost of debt of 6% throughout our forecast horizon.
- ✓ A liquidity and size risk premium of 1% reflected in our COE calculation.
- ✓ A terminal growth rate of 2%.

### Our DCF model yields a 12M PT of HUF 1,215/share

| EUR m | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E | 2033E |
|---|---|---|---|---|---|---|---|---|---|---|
| **Sales** | 90.5 | 102.1 | 95.1 | 98.0 | 100.4 | 102.2 | 104.1 | 106.0 | 108.0 | 110.0 |
| *growth* | 5% | 13% | -7% | 3% | 2% | 2% | 2% | 2% | 2% | 2% |
| **EBITDA** | 13.9 | 19.5 | 16.5 | 17.2 | 17.8 | 18.2 | 18.6 | 19.1 | 19.5 | 20.0 |
| *as a % of Sales* | 15.4% | 19.0% | 17.4% | 17.6% | 17.7% | 17.8% | 17.9% | 18.0% | 18.1% | 18.2% |
| - Depreciation | -3.4 | -3.2 | -3.4 | -3.6 | -3.9 | -4.1 | -4.3 | -4.5 | -4.8 | -5.0 |
| **EBIT** | 10.5 | 16.2 | 13.1 | 13.6 | 13.9 | 14.1 | 14.3 | 14.6 | 14.8 | 15.0 |
| *EBIT margin* | 11.6% | 15.9% | 13.8% | 13.9% | 13.9% | 13.8% | 13.8% | 13.7% | 13.7% | 13.7% |
| *growth* | *104%* | *54%* | *-19%* | *4%* | *3%* | *1%* | *1%* | *2%* | *2%* | *2%* |
| - Tax | -2.3 | -3.3 | -3.1 | -3.2 | -3.3 | -3.3 | -3.4 | -3.4 | -3.5 | -3.6 |
| *Tax rate (%)* | *-21%* | *-20%* | *-23%* | *-24%* | *-24%* | *-24%* | *-24%* | *-24%* | *-24%* | *-24%* |
| + Depreciation | 3.4 | 3.2 | 3.4 | 3.6 | 3.9 | 4.1 | 4.3 | 4.5 | 4.8 | 5.0 |
| - CAPEX | -0.6 | -14.5 | -3.4 | -3.6 | -3.8 | -4.0 | -4.3 | -4.5 | -4.8 | -5.0 |
| - Proceeds from sale | 0.0 | 2.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| - Dividends to preference shares | -0.3 | -0.3 | -0.4 | -0.7 | -0.5 | -0.6 | -0.6 | -0.6 | -0.6 | -0.6 |
| - WC change | -2.1 | 5.9 | -0.3 | 0.0 | -0.1 | 0.0 | -0.1 | 0.0 | -0.1 | -0.1 |
| **= FCF to the Firm** | **8.6** | **9.2** | **9.4** | **9.7** | **10.0** | **10.2** | **10.3** | **10.5** | **10.6** | **10.8** |
| PV of FCF | 8.4 | 8.1 | 7.5 | 7.1 | 6.6 | 6.1 | 5.6 | 5.2 | 4.8 | 4.4 |
| SUM of PV of FCF | 64 | | | | | | | | | |
| Terminal Value Growth | 2% | | | | | | | | | |
| Terminal Value | 138.0 | | | | | | | | | |
| PV of terminal value | 56.7 | | | | | | | | | |
| **Enterprise Value** | **120.4** | | | | | | | | | |
| Less Net Debt (YE23) | 15.0 | | | | | | | | | |
| Dividend paid out from 2023E profit | -11.3 | | | | | | | | | |
| Less Minorities | | | | | | | | | | |
| **Equity Value** | **94.1** | | | | | | | | | |
| Shares Outstanding | 34.4 | | | | | | | | | |
| **Value per Share (EUR)** | **2.7** | | | | | | | | | |
| **12M PT (EUR)** | **3.1** | | | | | | | | | |
| Share price (EUR) | 2.2 | | | | | | | | | |
| **Value per Share (HUF)** | **1,076** | | | | | | | | | |
| **12M PT (HUF)** | **1,215** | | | | | | | | | |
| Share price ( HUF) | 884 | | | | | | | | | |
| Upside | 37% | | | | | | | | | |

*Source: WOOD Research*

## DDM

Since the IPO, the company has been paying out most of its FCFE out as dividends. We assume that this will remain the case. A reversion to the stated dividend policy of 53% of the profit after tax (6% to preference shares and 47% to ordinary shares) presents some downside risk for our DDM. If we reverted to the stated dividend policy, however, our model would start to accumulate cash (which, we believe, would then, in reality, be either paid out or invested, potentially enhancing returns). Our DDM sets the 12M PT at HUF 1,164/share.

Our key assumptions for the COE are the same as in our DCF model.

### Our DDM model yields a 12M PT of HUF 1,164/share

| HUF m | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E | 2033E | 2034E |
|---|---|---|---|---|---|---|---|---|---|---|
| Net profit (last year) | **7.4** | **12.0** | **9.1** | **9.6** | **9.9** | **10.1** | **10.2** | **10.2** | **10.4** | **10.6** |
| Dividend Payout Ratio | 140% | 87% | 124% | 89% | 91% | 92% | 93% | 94% | 92% | 92% |
| Implied dividend from last year to be paid this year | **10.4** | **10.4** | **11.3** | **8.5** | **9.0** | **9.3** | **9.5** | **9.60** | **9.59** | **9.76** |
| DPS | 0.3 | 0.3 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.28 | 0.28 | 0.29 |
| **Present value of Dividends** | 9.4 | 8.4 | 8.1 | 5.5 | 5.2 | 4.8 | 4.4 | 3.96 | 3.54 | 3.22 |
| **Sum of PV of dividends** | 56.6 | | | | | | | | | |
| Terminal value growth | 2.0% | | | | | | | | | |
| Terminal value | 101.4 | | | | | | | | | |
| Present value of terminal value | **33.5** | | | | | | | | | |
| **Equity value** | **90.0** | | | | | | | | | |
| Shares Outstanding | 34.4 | | | | | | | | | |
| **12M PT (EUR)** | **3.0** | | | | | | | | | |
| **Share price (EUR)** | 2.2 | | | | | | | | | |
| **12M PT (HUF)** | **1,164** | | | | | | | | | |
| **Share price (HUF)** | 884 | | | | | | | | | |
| Upside | 32% | | | | | | | | | |

*Source: WOOD Research*

### Cost of equity and WACC calculation

| Company's capital structure | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E | 2033E |
|---|---|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 16 | 9 | 6 | 4 | 4 | 4 | 4 | 4 | 4 | 16 |
| Total Debt | 37 | 33 | 30 | 27 | 27 | 27 | 27 | 27 | 27 | 37 |
| Total Equity | 77 | 77 | 77 | 77 | 77 | 77 | 77 | 77 | 77 | 77 |
| Total Capital Outstanding | 114 | 110 | 107 | 104 | 104 | 104 | 104 | 104 | 104 | 114 |
| **[A] Debt/Capital Ratio (%)** | 32% | 30% | 28% | 26% | 26% | 26% | 26% | 26% | 26% | 32% |
| **[C] Equity/Capital Ratio (%)** | 68% | 70% | 72% | 74% | 74% | 74% | 74% | 74% | 74% | 68% |
| Cost of Debt: | | | | | | | | | | |
| Marginal Cost of Debt (%) | **6.0%** | **6.0%** | **6.0%** | **6.0%** | **6.0%** | **6.0%** | **6.0%** | **6.0%** | **6.0%** | **6.0%** |
| x Marginal Tax Rate (%) | 20% | 23% | 24% | 24% | 24% | 24% | 24% | 24% | 24% | 20% |
| **[B] Cost of Debt (post tax) (%)** | **4.78%** | **4.60%** | **4.59%** | **4.59%** | **4.58%** | **4.58%** | **4.58%** | **4.58%** | **4.58%** | **4.78%** |
| Cost of Equity: | | | | | | | | | | |
| Unlevered Beta | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 |
| Beta | 1.45 | 1.39 | 1.36 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.45 |
| Equity Risk Premium (%) | 4.7% | 4.6% | 4.6% | 4.6% | 4.6% | 4.6% | 4.6% | 4.6% | 4.6% | 4.7% |
| Risk Free Rate (%) | 4.9% | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% | 4.4% | 4.9% |
| **[D] Cost of Equity (%)** | **13.1%** | **12.2%** | **12.0%** | **11.9%** | **11.8%** | **11.8%** | **11.8%** | **11.8%** | **11.8%** | **13.1%** |
| **[A x B] + [C x D] = WACC:** | **10.4%** | **10.0%** | **10.0%** | **10.0%** | **10.0%** | **10.0%** | **10.0%** | **10.0%** | **10.0%** | **10.4%** |

*Source: WOOD Research*

## Peer group multiples

Looking at CEE (and the wider European region), there is a lack of publicly-listed firms that operate under a similar business model as Duna, with the key segments in both financial intermediation and real estate brokerage. Accordingly, we do not use the peers' multiples to set our price target currently.

That said, when we compare Duna's real estate brokerage segment to its peers, we look at similar real estate brokerage companies in the US, such as Realogy and REMAX (which also offer franchise services). We believe the peer group may also include broader real estate service firms, like JLL, Cushman and Wakefield, and CBRE. Due to the lack of close comparable peers, this is not a perfect peer group, as it does not include significant peers in the financial intermediation segment. The peers are also much larger, and more liquid, often representing global, established brands.

### Peer group valuation summary

| | Price | Currency | Mkt Cap | P/BV | | | EV/EBITDA | | | P/E | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | **(LCU)** | | **(EUR m)** | **24Y** | **25Y** | **26Y** | **24Y** | **25Y** | **26Y** | **24Y** | **25Y** | **26Y** |
| Duna House | 884.0 | HUF | 77 | 8.1x | 7.1x | 9.7x | 6.8x | 5.0x | 6.0x | 10.8x | 6.5x | 8.7x |
| Remax | 10.9 | USD | 309 | 0.5x | 0.7x | 0.7x | 8.0x | 8.3x | 7.5x | 8.7x | 9.6x | 8.0x |
| Realogy | 4.8 | USD | 477 | 0.3x | 0.3x | 0.3x | 11.4x | 8.8x | 8.0x | n/m | 11.3x | 5.7x |
| CBRE | 114.8 | USD | 31,727 | 3.9x | 3.5x | 3.1x | 16.5x | 14.0x | 12.5x | 23.8x | 19.6x | 15.8x |
| JLL | 249.5 | USD | 10,685 | 1.8x | 1.6x | 1.4x | 13.9x | 11.9x | 10.7x | 19.8x | 15.7x | 13.5x |
| Cushman & Wakefield | 12.8 | USD | 2,637 | 1.7x | 1.5x | 1.4x | 9.8x | 8.4x | 7.6x | 15.8x | 11.5x | 9.5x |
| **Peers median** | | | | **1.7x** | **1.6x** | **1.4x** | **11.4x** | **8.8x** | **8.0x** | **17.8x** | **11.5x** | **9.5x** |

*Source: Bloomberg, WOOD Research*

# Recent trends in the mortgage markets in which DH operates

### Italian mortgage/CQS market

Before the Great Financial Crisis, the Italian total gross residential mortgage origination peaked at EUR 103bn, in 2007, according to data compiled by the European Mortgage Federation (EMF). Starting from 2008, the origination volumes declined sharply, reaching a trough of EUR 33bn in 2013, down 68% compared to the 2007 level.

Starting from 2014, the Italian mortgage market began to recover gradually. In 2019, the gross residential mortgages returned to pre-crisis level – by 2019, at EUR 110bn, the new originations exceeded the pre-crisis record marginally. The new mortgage volumes continued to grow in the next 2Y, reaching an all-time high of EUR 163bn in 2021.

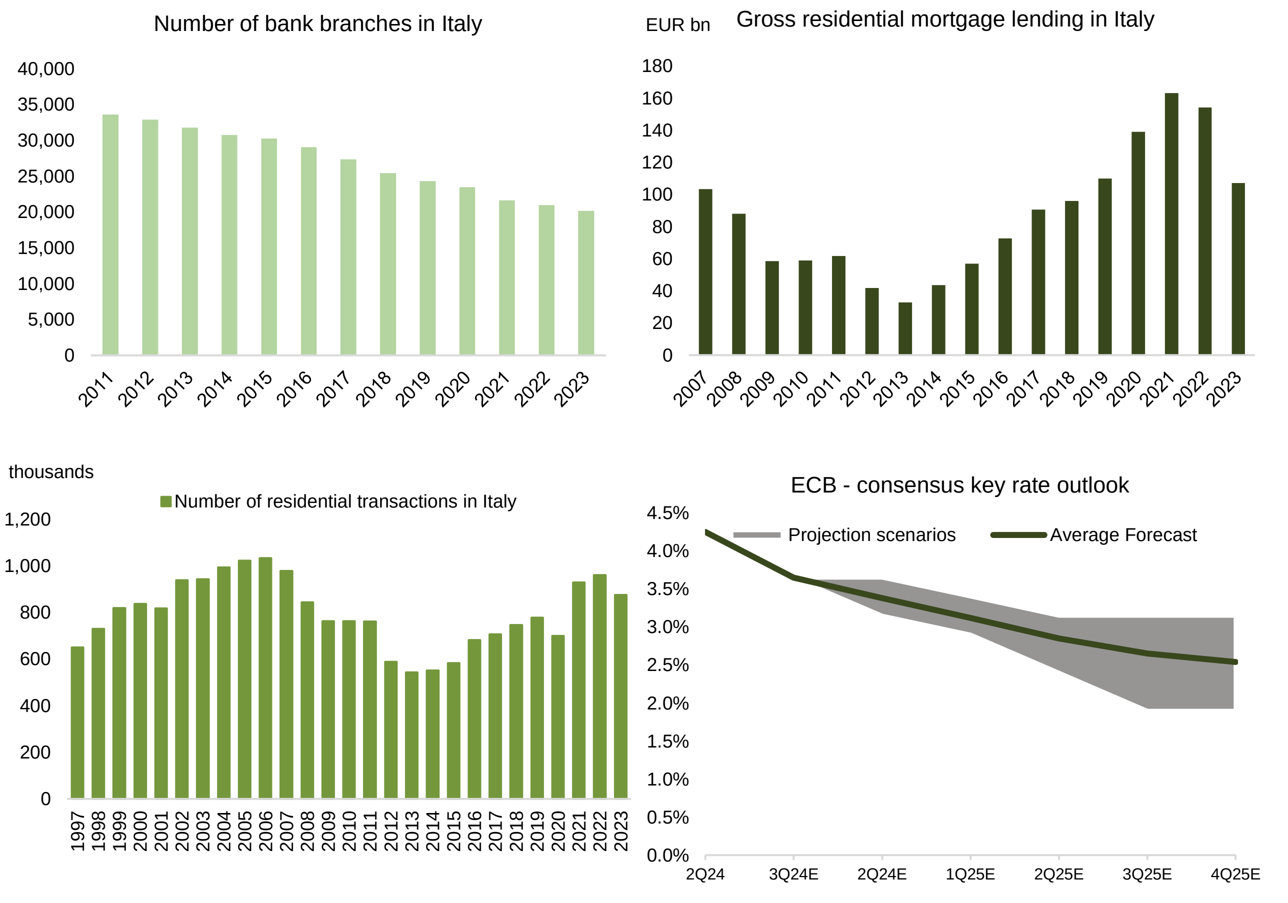
As the rates started to creep up, the volumes fell slightly, by 6%, in 2022. In response to the forceful rate hikes by the ECB, in 2023, the gross residential mortgage lending volume tanked by 30% yoy, coming to EUR 107bn. While this is well below the record 2022 level, it is still well ahead of the long-term run-rate of around EUR 80bn annually (15Y period of 2007-21, based on EMF data).

Duna House estimates that the share of intermediaries in the total Italian market has increased from 10% pre COVID-19 to c.20%. As the number of bank branches continues to fall in Italy, there could be room for financial intermediation companies to gain further market share.

In 1H24, the volume of mortgages and other financial products intermediated by Duna House in Italy increased by 20% yoy.

Outside of traditional mortgages, Duna House also provides CQS loans in Italy. These are salary and pension-backed loans, unique to Italy, which were less affected by rising rates and more resilient to the crisis compared to the traditional mortgage. They also earn a higher margin / commission fee for Duna House.

**Italy: ECB rate cuts could give a boost to real estate transaction volumes and lending**

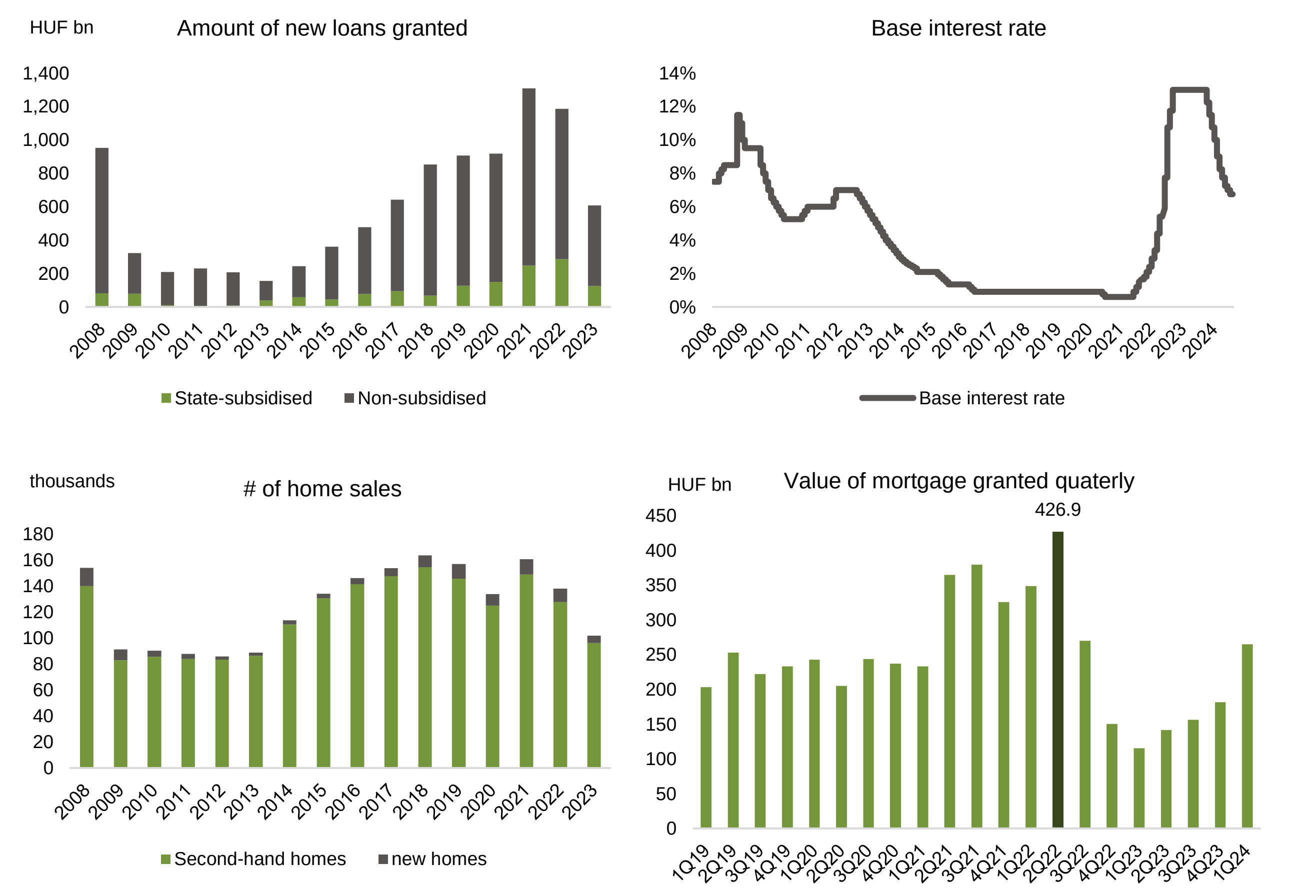



*Source: Bloomberg, Banca d'Italia, EMF, WOOD Research*

## Hungary

The Hungarian housing market has experienced notable fluctuations over the past decade, with the number of home sales and loans granted dipping significantly after the global financial crisis, before rebounding from 2014-onwards. This resurgence was fuelled by low interest rates and government-backed, State-subsidised loan programmes, which boosted borrowing and purchasing power, particularly for existing houses and apartments (as opposed to new developments). In the period from 2008 to 2020, the average value of loans granted stood at HUF 498bn. In an environment of low interest rates, the value of new loans granted peaked, on a yearly basis, in 2021, surpassing the average of previous years by more than twice. On a quarterly basis, 2Q22 reported the strongest figure, at HUF 427bn. Since then, with the increase in interest rates that started in 2022, the market began to cool down, leading to a decline in both the volume of new loans granted and the number of home sales in late-2022 and 2023. 2H22 and 2023 were muted, as the interest rates exceeded 10%. As the rates have started to come down, we have seen volumes rebounding from the 1Q23 trough in recent quarters. In particular, the 1Q24 new mortgage origination volumes, at HUF 260-270bn, were comparable with the quarterly run-rate of 2019-21, before the tightening cycle started.

**Hungary: base rates are on the way down from the 2023 peak of 13%**



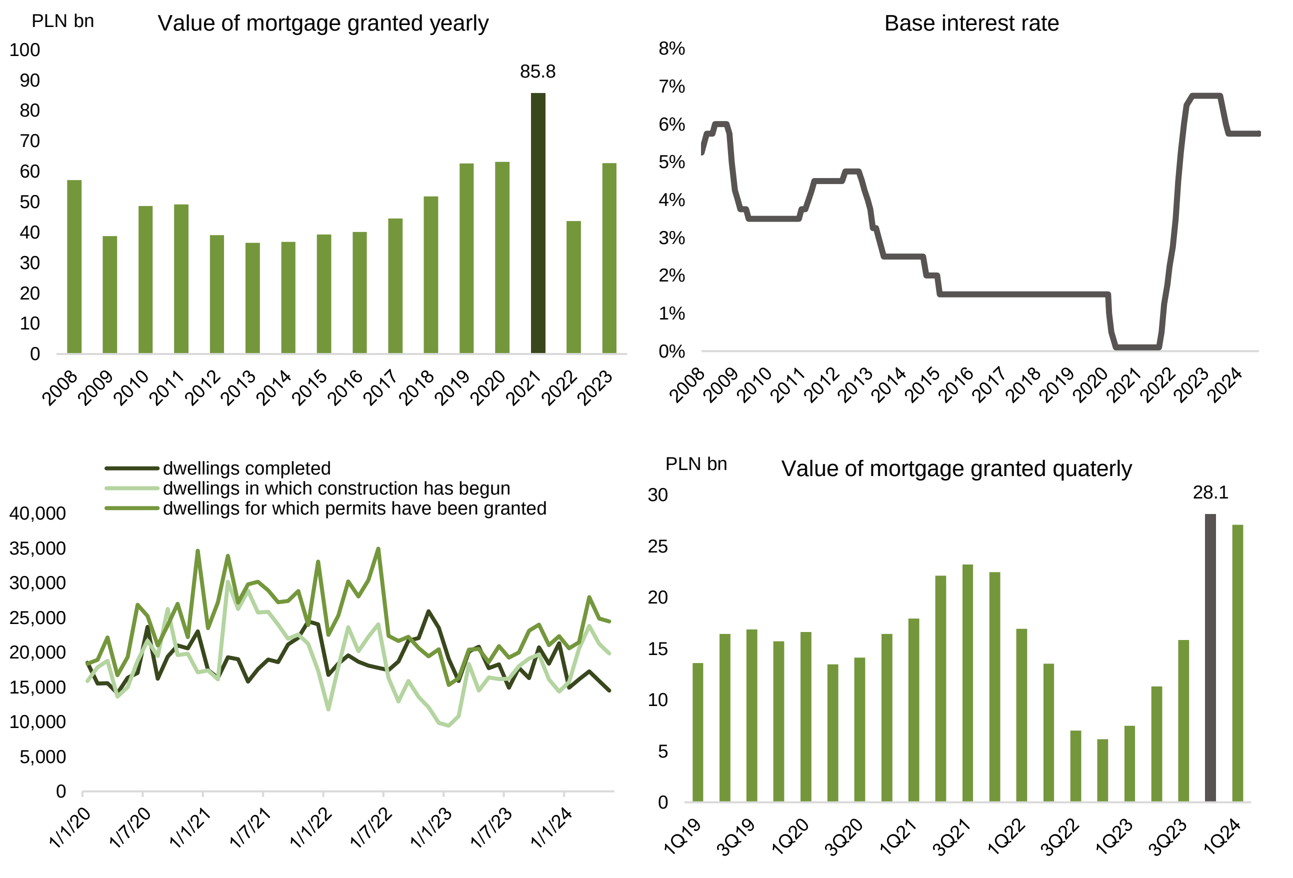

*Source: WOOD Research, Hungarian Central Statistical Office, Bloomberg*

## Poland

The base interest rate has experienced significant fluctuations, with a notable drop to near-zero levels around 2020, in response to the COVID-19 pandemic. However, from 2021-onwards, the rate increased sharply, to counter the rising inflation, leading to a stabilisation at higher levels in 2023. In the period from 2008 to 2020, the average value of loans granted stood at PLN 46.8bn. In an environment of low interest rates, the value of new loans granted peaked on a yearly basis in 2021, almost doubling the average of previous years. However, as interest rates rose in 2022, the value of new mortgages fell, cooling the mortgage market. With the new subsidy programme, demand started to rise again, peaking in 4Q23, when PLN 28.1bn was granted.

The Polish residential market has slowed down in 2Q and 3Q24 (qtd), with customers adopting a wait-and-see approach, due to uncertainty surrounding the potential restart of the mortgage subsidy programme. This hesitation among buyers has led to a decline in sales, as many are holding off on purchasing decisions. We believe that prospective customers are waiting for more favourable conditions of financing, which could arise from the reintroduction of government subsidies. In our model, we pencil in 10% yoy growth in new mortgage origination in Poland in 2025E, so we are not speculating on a jump in volumes related to the prospective reintroduction of the subsidy scheme. In their absence, we believe that customers may be hoping to see promotions from developers, leading to lower prices, as a response to muted demand. In 1H24, developers continued to launch new projects, with expectations of the new subsidy programme being introduced. This has contributed to an emerging oversupply in certain areas, particularly in cities like Lodz and Poznan. Overall, we expect the future dynamics to be heavily reliant on governmental decisions regarding the subsidy programme, on which we may start to get more clarity during the autumn. In the absence of the reintroduction of the subsidised mortgages, we believe that the transaction volumes could remain subdued in the very near future, but we would expect a gradual revival of volumes, as the rates decline over 2025E and 2026E.

**Poland: subsidy muted impact of rate hikes on activity in 2023; since early-2024E, market in wait-and-see mode**

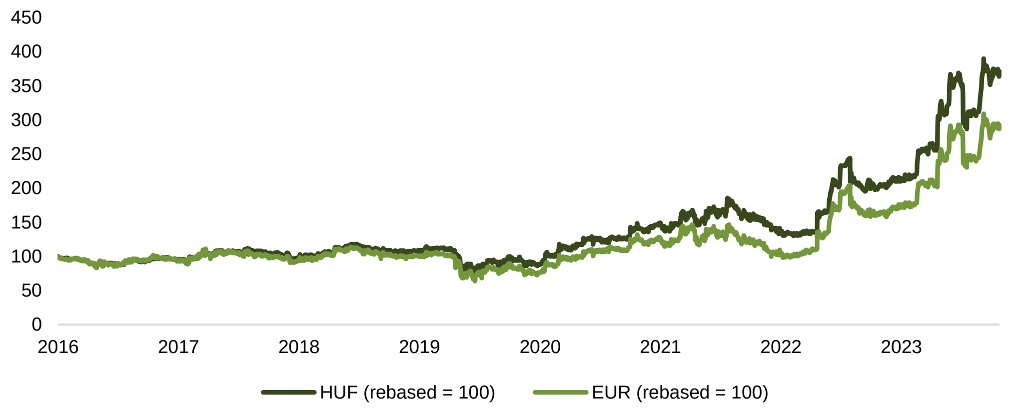



*Source: WOOD Research, GUS, NBP*

# Ownership and management, liquidity, dividend policy, trading history

**Duna House (Duna House Holding Nyrt.; Bloomberg ticker: DUNAHOUS HB) was listed on the Budapest Stock Exchange in late-2016, issuing c.0.7m shares (c.18%) and raising EUR 9m. The IPO valued the company at c.EUR 50m. Since the IPO, through a combination of share price appreciation, and (especially) very material dividend payments, the stock has generated a total return of around 320% in HUF terms, or around a 20% CAGR, with dividends reinvested. In EUR terms, the return since the IPO would have been almost 240%, or around 17% if annualised, with reinvested dividends. Without reinvesting the DPS, the total return since the IPO is around 270% in HUF and 190% in EUR terms, we estimate.**

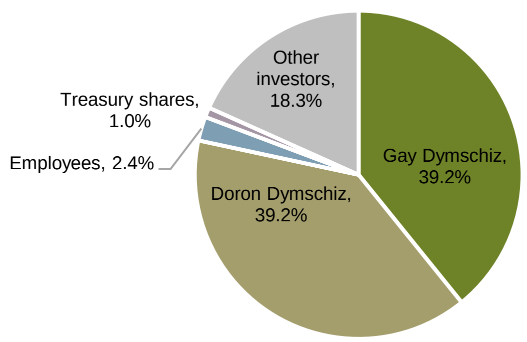
**Total return since the IPO, in EUR and HUF, rebased to 100**




*Source: Bloomberg, WOOD Research*

**The company is controlled by the cofounders.** The two founders, who are brothers, built the company from the ground up in 1998 and hold a controlling stake currently, 39.2% of the share capital each. Gay and Doron Dymschiz have been instrumental in the growth and success of Duna House, and have run the company together. The treasury shares and employee shares of Duna House make up 3.4% of the ownership combined. Currently, almost 20% of the shares are free float, we estimate.

**Shareholder structure of Duna House**

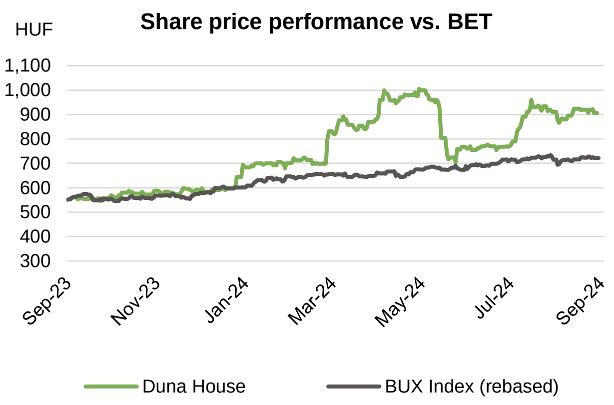


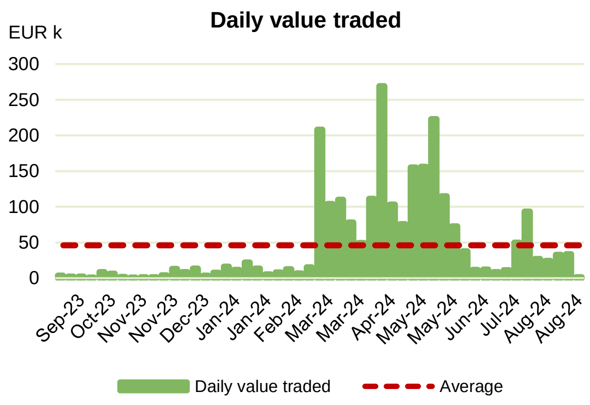

*Source: WOOD Research, Duna House*

**The liquidity of DH's shares is low, but improving.** In the past 12M, the ADTV was at c.EUR 50k/day. This is still too low for many of the institutional investors to even consider engagement, but marks a material improvement from the historical levels. During 2022, shares worth around EUR 10k changed hands each day, on average. In 2023, the ADTV improved to c.EUR 20k per day. In the year-to-date, the ADTV has increased to almost EUR 70k per day. Capital transactions, like an ABB, could lead to an increase in the free float, which could, in turn, improve the liquidity.

In the past 12M, Duna House's share price has fluctuated between HUF 546-1,005. Currently, the stock is trading at around HUF 900. The 12M performance of Duna's stock is 58%, and it has outperformed the BUX index by 30% over the LTM.

**Duna's shares outperform the BUX by 30%...** **...and traded c.EUR 50k per day (on average) in the LTM**




*Source: WOOD Research, Bloomberg*

## Dividend policy

Duna maintains a sustainable policy of paying out dividends: the company states that it intends to distribute, yearly, 53% (6% to preference shares and 47% to ordinary shares) of the profit after tax, including adjustments for revaluations and other one-off items. Historically, Duna House has been quite generous in paying out dividends: on average, in the past 4Y, it has had a payout ratio of c.110% and has distributed dividends of EUR 27.5m cumulatively to ordinary shareholders. This implies a dividend yield of 16%, on average, in the past 4Y.

**Dual class shares, with preferred dividends as a remuneration scheme for management.** We note that Duna House has granted preferential shares to its management as an incentive scheme, which constitutes dual class shares in the share capital. The ordinary Class A shares have a nominal value of HUF 5 per share. There are 34.3m ordinary shares, of which 0.7m are classified as treasury shares. Class B shares are preferential employee shares. There are 1,000 Class B shares outstanding, accounting for 0.003% of the total shares. They have a nominal value of HUF 50 each. The Class B shares have a preferential right to dividends prior to the ordinary shares for 6% of the consolidated profit after tax and the preferred dividends are not cumulative. Duna has also approved share-based benefit programmes for members of the company, which includes management and employees who are based in Hungary, and international management. All the shares have the same voting rights.

## Trading history

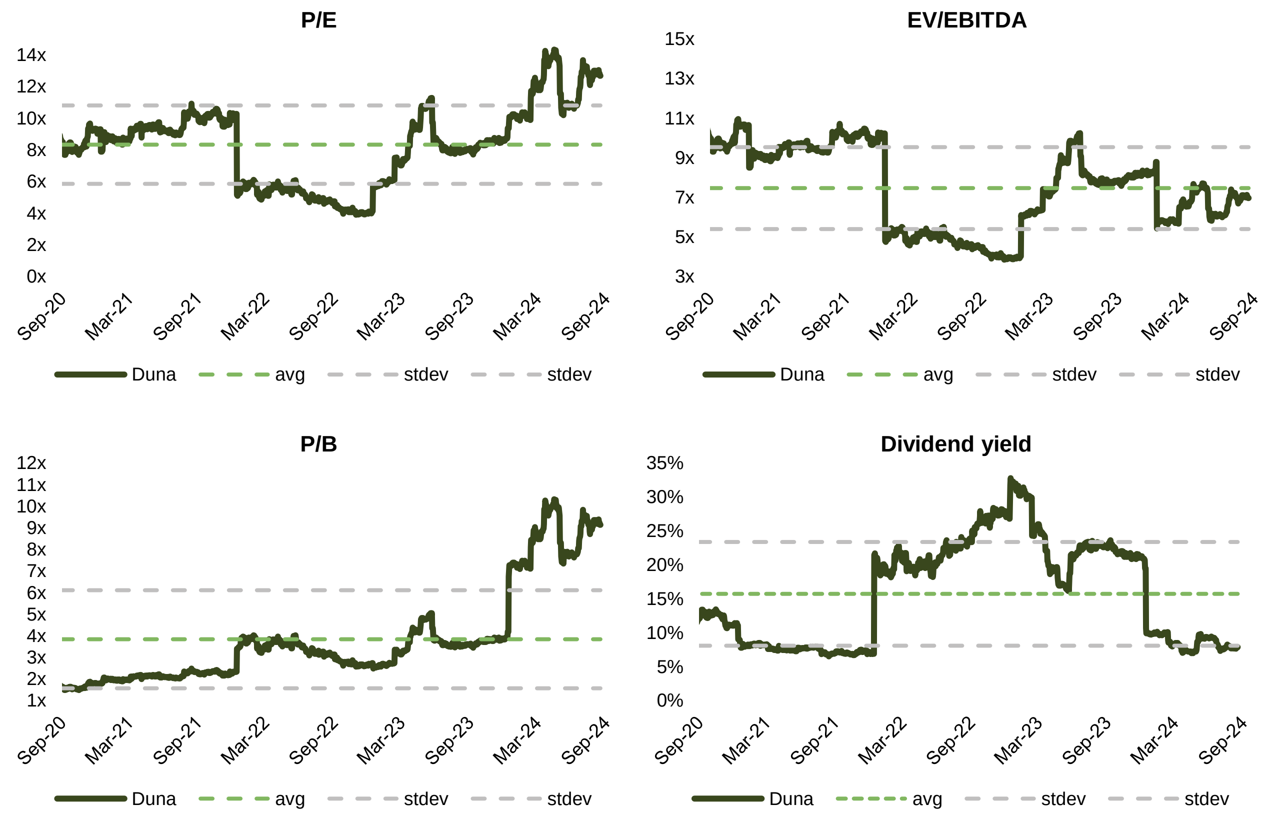
Duna House has been trading at a P/E level of 10.7x in the past year, on average. The company has been trading at a premium compared to a 4Y historical average P/E of 8.3x.

The EV/EBITDA multiple has been evolving at a range of 4.8-11.0x, with a 4Y EV/EBITDA historical average of 7.5x.

In terms of P/B, the company traded between 1.7-4.2x from 2020-23. From 2024, on our estimates, the company is trading at 8.5x, on average (around a 120% premium vs. its 4Y historical P/B of 3.8x).

Duna has been paying out dividends in the past 4Y and the company has been trading at 16% on its historical dividend yield.

**Trading history: 1YF historical multiples**




*Source: WOOD Research, Company data, Bloomberg*

## Duna House: executive management

**The company continues to be led by the founders and the controlling shareholders, the Dymschiz brothers; combined, they own 78% of the shares of Duna House. They are supported by Máté Ferenc and Daniel Schilling, the COO and CFO, who have been with the company for 19 years combined.**

**Guy Dymschiz – Co-Chief Executive Officer and member of the BoD:** co-founder, managing director and, later, a member of the executive management of Duna House. He graduated from the Tel-Aviv University in legal studies and obtained an LLB degree. Later, he worked for the Gissin & Keset company as a lawyer. He is a legal expert on M&A fusions and buyouts, voting trusts and investment agreements.

**Doron Dymschiz – Co-Chief Executive Officer and member of the BoD:** co-founder of Duna House and member of the Board of Directors. He attended the University of Haifa, obtaining a BA degree in Economics and Management in 1997. Later, he also received his MBA from University of Bradford. Previously, he was also a sales manager at Computer Direct North Ltd, later becoming the CEO.

**Máté Ferenc – Chief Operating Officer and member of the BoD:** graduated from the Budapest University of Economics and Public Administration (MSc.). In 2005, he obtained the auditor qualification ACCA, in 2011 the FCCA. Since 2009, he has been a chartered accountant in Hungary. Previously, he worked as senior associated at PwC, and as a financial and operation manager at Promix. He also founded a private consultation company in 2008. He joined Duna House as managing director in 2009, rising through the ranks to deputy CEO and then COO.

**Dániel Schilling – Chief Financial Officer and member of the BoD:** graduated from the Corvinus University of Budapest in 2008, after which he worked in Barcelona in the post-merger integration team of Zurich Financial Services AG for a year and a half. Later, Mr. Schilling worked for Concorde Corporate Finance on international and domestic acquisitions and capital market transactions. He joined Duna in 2017 (working in the investor relations and M&A departments) and was later promoted to CFO. He has been a member of the BoD since 2019.

# Risks

- ✓ **A further escalation of the war in Ukraine.** Other geopolitical tensions (e.g., trade disputes or energy supply disruptions) could affect the economic stability in Europe, thereby affecting housing demand and financial intermediation volumes.
- ✓ **A reversal of the interest rate easing, and/or a pronounced macroeconomic slowdown.** A return of inflation could erode consumer purchasing power. Higher rates for longer could reduce the demand for housing and financial products. Inflation could also affect operational costs, outside of cost of capital.
- ✓ **Housing affordability is challenging across Europe.** This could weigh on transaction volumes.
- ✓ **Level of commissions.** The level of commissions for financial intermediation is regulated in Hungary, but the commission levels in Poland and Italy are subject to a variable component by the banks (in addition, in Italy, part of the commission is paid by clients). The banks may decide to re-structure the fixed and variable components of commissions, which would stall commission growth.
- ✓ **Currency risk.** As the majority of Duna House's business is now outside Hungary, from a HUF perspective, the impact on the share price from HUF depreciation would be positive – even though the exact magnitude would depend on the timing of the depreciation relative to the cash inflows from the Budapest assets expected to be sold, and on the degree of Italy's contribution to the earnings. We estimate that Hungary could account for around 10-15% of revenues, once the remaining apartments, the land plot, and the office building have been sold. That said, we note that, from a EUR perspective, the depreciation of the HUF and potentially also the PLN would have an adverse impact on its valuation. As the majority of its earnings are outside Hungary, we present the financials in EUR, while forecasting each of the respective business lines and countries in their respective currencies.
- ✓ **Inflationary pressures.** A return of inflation could erode consumer purchasing power. Higher rates for longer could reduce the demand for housing and financial products. Inflation could also affect operational costs, outside of the cost of capital.
- ✓ **Online mortgage and personal lending.** Although mortgage brokers have become more popular recently and have originated an increasing share of mortgages in Hungary and Poland, changes in consumer preferences towards online lending platforms may pose a risk for the traditional bricks&mortar business model. Deregulation in online lending could see a rise in the popularity of local digital lending platforms, which would make it easier for clients to obtain funding.
- ✓ **Digital real estate platforms.** New digital real estate platforms have become available for people who are planning to buy/sell and rent properties. The increase in digital services, such as these, should allow parties to skip real estate agents, who once dominated the market. By creating a marketplace where interested parties do not have to pay commission as a value of the transaction, the market would have less need for real estate agents and brokers. A failure to invest in advanced digital tools for customer acquisition, mortgage broking, or real estate transactions could result in a loss of competitiveness, as peers adapt to new technologies.
- ✓ **Cybersecurity.** Increasing reliance on digital platforms and data management exposes the company to potential cyber-attacks, data breaches, and the associated financial and reputational damage.
- ✓ **The liquidity of the shares is low,** but has been improving in recent years.
- ✓ **Taxes.** There is a risk that new taxes could be introduced, affecting the business negatively.
- ✓ **Overpriced M&A.** The company is actively looking for prospective targets. We see its entry to Italy as a clear success. That said, in any M&A, there are numerous risks: buying a target that would not be a good fit, or paying too high a price for one. Expanding into different countries could improve diversification and bring in new sources of revenue, but it also exposes the company to operational risks, due to differing legal, tax, and business environments, which may hamper efficiency and profitability.

# Financials

## P&L, margins and per share figures

| P&L (EUR m) | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|---|---|---|---|---|---|---|
| Real Estate: Franchise | 5.3 | 6.2 | 5.9 | 5.1 | 5.8 | 6.3 |
| Real Estate: Own Office | 5.4 | 4.3 | 4.0 | 4.3 | 4.5 | 4.5 |
| Financial Intermediation | 27.0 | 58.3 | 63.6 | 76.0 | 80.1 | 84.5 |
| Complementary/Related | 0.9 | 0.9 | 1.0 | 1.0 | 0.9 | 0.9 |
| Property Investment | 2.8 | 8.7 | 12.7 | 5.2 | 11.9 | 0.0 |
| Other | -1.0 | -1.0 | -1.1 | -1.0 | -1.0 | -1.0 |
| **Total Revenue** | **40.3** | **77.4** | **86.0** | **90.5** | **102.1** | **95.1** |
| Direct Costs | -25.5 | -50.2 | -60.1 | -61.1 | -67.0 | -62.3 |
| Gross Profit | 14.8 | 27.2 | 25.9 | 29.4 | 35.1 | 32.8 |
| Indirect Costs | -9.2 | -15.8 | -17.7 | -15.5 | -15.6 | -16.3 |
| **EBITDA** | **5.6** | **11.4** | **8.3** | **13.9** | **19.5** | **16.5** |
| D&A | -0.9 | -2.6 | -3.1 | -3.4 | -3.2 | -3.4 |
| **EBIT** | **4.7** | **8.8** | **5.2** | **10.5** | **16.2** | **13.1** |
| Financial Revenues | 0.6 | 2.1 | 6.6 | 0.7 | 0.6 | 0.4 |
| Financial Expenses | -0.8 | -1.9 | -2.9 | -1.8 | -1.8 | -1.6 |
| Profit from JV | 0.4 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Profit before tax** | **5.0** | **9.5** | **8.9** | **9.4** | **15.1** | **11.9** |
| Income taxes | -0.9 | -2.0 | -1.8 | -2.0 | -3.1 | -2.8 |
| **Net Profit** | **4.1** | **7.5** | **7.1** | **7.4** | **12.0** | **9.1** |
| Other comprehensive income | 0.1 | 1.3 | -0.7 | 0.0 | 0.0 | 0.0 |
| Minorities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net profit to shareholders of Duna House** | **4.2** | **8.8** | **6.4** | **7.4** | **12.0** | **9.1** |

| Margins and growth | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|---|---|---|---|---|---|---|
| Gross Profit margin | 37% | 35% | 30% | 32% | 34% | 34% |
| Net Profit margin (to Duna shareholders) | 10% | 11% | 7% | 8% | 12% | 10% |
| Net Profit margin (consolidated) | 10% | 10% | 8% | 8% | 12% | 10% |
| EBITDA margin | 14% | 15% | 10% | 15% | 19% | 17% |
| EBIT margin | 12% | 11% | 6% | 12% | 16% | 14% |
| Revenues growth | 56% | 92% | 11% | 5% | 13% | -7% |
| Gross Profit growth | 47% | 84% | -5% | 13% | 19% | -7% |
| EBITDA growth | 27% | 102% | -27% | 68% | 40% | -15% |
| EBIT growth | 26% | 86% | -41% | 104% | 54% | -19% |
| Net Profit growth | 8% | 83% | -6% | 5% | 62% | -24% |

| EPS/DPS/BVPS | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|---|---|---|---|---|---|---|
| Dividends per share (EUR) | 0.11 | 0.08 | 0.28 | 0.33 | 0.30 | 0.33 |
| Earnings per share (EUR) | 0.12 | 0.25 | 0.18 | 0.21 | 0.34 | 0.25 |
| Book Value per share (EUR) | 0.55 | 0.37 | 0.40 | 0.27 | 0.31 | 0.23 |
| Dividends Per share (HUF) | 38.6 | 32.0 | 108.4 | 131.2 | 122.0 | 132.5 |
| Earnings per share (HUF) | 41.5 | 98.5 | 68.8 | 82.1 | 136.9 | 102.1 |
| Book Value per share (HUF) | 203.1 | 147.6 | 152.3 | 109.5 | 125.2 | 91.0 |

*Source: Company data, WOOD Research*

## Balance sheet and cash flow

| Balance Sheet (EUR m) | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|---|---|---|---|---|---|---|
| Investment property | 5.0 | 2.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Goodwill | 4.8 | 14.1 | 14.4 | 14.4 | 14.4 | 14.4 |
| PP&E, Intangible assets and Other | 4.4 | 28.2 | 27.2 | 23.8 | 23.4 | 23.4 |
| **Non-current assets** | **14.2** | **44.8** | **41.6** | **38.2** | **37.9** | **37.8** |
| Inventories | 20.1 | 15.1 | 5.9 | 6.1 | 0.3 | 0.3 |
| Trade Receivables | 5.7 | 8.1 | 8.6 | 10.0 | 10.6 | 11.2 |
| Restricted cash | 3.4 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash and equivalents | 14.1 | 26.6 | 21.7 | 18.1 | 16.0 | 9.1 |
| Other | 3.7 | 8.0 | 9.6 | 10.3 | 9.4 | 9.6 |
| **Current Assets** | **47.0** | **58.0** | **45.8** | **44.5** | **36.2** | **30.3** |
| **Total Assets** | **61.2** | **102.8** | **87.5** | **82.7** | **74.1** | **68.1** |
| Capital | 4.0 | 3.4 | 4.1 | 4.1 | 4.1 | 4.1 |
| Retained Earnings | 14.9 | 9.3 | 9.6 | 5.3 | 6.5 | 3.6 |
| **Shareholders' equity** | **18.9** | **12.7** | **13.7** | **9.4** | **10.7** | **7.7** |
| Non-controlling Interests | -0.2 | 0.4 | 0.6 | 0.6 | 0.6 | 0.6 |
| **Total equity** | **18.7** | **13.1** | **14.3** | **10.0** | **11.3** | **8.4** |
| Long-Term Borrowings | 18.7 | 36.1 | 36.4 | 36.4 | 36.4 | 32.8 |
| Other | 1.6 | 30.9 | 20.0 | 19.4 | 8.5 | 8.5 |
| **Non-Current Liabilities** | **20.3** | **67.0** | **56.4** | **55.8** | **44.9** | **41.3** |
| Short term Borrowings | 11.8 | 0.9 | 0.2 | 0.2 | 0.2 | 0.2 |
| Accounts payables | 3.6 | 7.8 | 9.3 | 10.3 | 11.2 | 11.6 |
| Other | 6.8 | 14.0 | 7.2 | 6.4 | 6.5 | 6.6 |
| **Current Liabilities** | **22.2** | **22.7** | **16.8** | **16.9** | **17.9** | **18.4** |
| **Total Liabilities** | **42.5** | **89.7** | **73.2** | **72.7** | **62.8** | **59.7** |
| **Total equity and liabilities** | **61.2** | **102.8** | **87.5** | **82.7** | **74.1** | **68.1** |

| Capital Structure (EUR m) | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|---|---|---|---|---|---|---|
| Total debt | 30.5 | 37.0 | 36.6 | 36.6 | 36.6 | 33.0 |
| Cash and cash equivalents | 14.1 | 26.6 | 21.7 | 18.1 | 16.0 | 9.1 |
| Net debt | 16.4 | 10.4 | 15.0 | 18.5 | 20.7 | 23.9 |
| EBITDA | 5.6 | 11.4 | 8.3 | 13.9 | 19.5 | 16.5 |
| Net debt to EBITDA | 2.9x | 0.9x | 1.8x | 1.3x | 1.1x | 1.4x |

| Cash Flow (EUR m) | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|---|---|---|---|---|---|---|
| **Profit after tax** | **4.1** | **7.5** | **7.1** | **7.4** | **12.0** | **9.1** |
| Financial Results | 0.2 | -0.2 | -1.1 | 1.1 | 1.2 | 1.3 |
| D&A | 0.9 | 2.7 | 3.1 | 3.4 | 3.2 | 3.4 |
| Tax Payable | 0.8 | 2.0 | 1.8 | 2.0 | 3.1 | 2.8 |
| Other | -0.7 | -1.6 | -1.4 | 0.0 | 0.0 | 0.0 |
| **Operating Profit Before Changes in Working Capital** | **5.3** | **10.5** | **9.5** | **13.9** | **19.5** | **16.5** |
| Inventory | -0.5 | 3.5 | 9.9 | -0.1 | 5.8 | 0.0 |
| Accounts Receivable, restricted cash and other receivables | -4.7 | 6.2 | -1.8 | -2.1 | -0.9 | -0.9 |
| Accounts Payable and Related Liabilities | 3.2 | 4.0 | -7.3 | 0.1 | 1.0 | 0.5 |
| Other | -1.1 | -2.6 | -2.2 | -2.0 | -3.1 | -2.8 |
| **Cash flows from operating activities** | **2.3** | **21.5** | **8.2** | **9.8** | **22.3** | **13.4** |
| CAPEX on Infrastructure | -0.6 | -0.5 | -0.1 | 0.0 | -3.6 | -3.4 |
| Acquisitions/Disposals | 0.0 | -7.2 | 0.0 | -0.6 | -10.9 | 0.0 |
| Sale of assets | 0.3 | 1.8 | 2.1 | 0.0 | 2.0 | 0.0 |
| Other | 1.0 | 0.5 | -0.2 | 0.0 | 0.0 | 0.0 |
| **Cash flows used in investing activities** | **0.7** | **-5.4** | **1.8** | **-0.6** | **-12.5** | **-3.4** |
| Dividends paid to minority investors | 0.0 | 0.0 | 1.0 | 0.0 | 0.0 | 0.0 |
| Dividends to Duna shareholders | -3.9 | -3.0 | -10.1 | -11.7 | -10.8 | -12.0 |
| Change in debt | -1.9 | 1.9 | -2.6 | 0.0 | 0.0 | -3.6 |
| Interest Received (Paid) | -0.1 | 0.0 | 1.0 | -1.1 | -1.2 | -1.3 |
| Other | -0.1 | -1.6 | -1.5 | 0.0 | 0.0 | 0.0 |
| **Cash flows from Financing Activities** | **-6.0** | **-2.7** | **-12.2** | **-12.7** | **-12.0** | **-16.9** |
| **Cash BoP** | **17.6** | **14.6** | **27.2** | **21.7** | **18.1** | **16.0** |
| **Net Change in Cash** | **-3.0** | **13.5** | **-5.5** | **-3.5** | **-2.2** | **-6.9** |
| FX rate differences | 0.3 | 0.3 | -0.7 | 0.0 | 0.0 | 0.0 |
| **Cash EoP** | **14.1** | **26.6** | **21.7** | **18.1** | **16.0** | **9.1** |

*Source: Company data, WOOD Research*

## Number of shares, share price and multiples

| Number of shares and share price | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|---|---|---|---|---|---|---|---|
| Number of shares (m) | 34.4 | 34.4 | 34.4 | 34.4 | 34.4 | 34.4 | 34.4 |
| Treasury Shares (m) | 1 | 1 | 1 | 0 | 0 | 0 | 0 |
| Average price/share (HUF) | 283 | 392 | 474 | 555 | 884 | 884 | 884 |
| Lowest price (HUF) | 220 | 309 | 400 | 402 | 884 | 884 | 884 |
| Highest price (HUF) | 338 | 454 | 563 | 750 | 884 | 884 | 884 |
| Closing price (HUF) | 307 | 450 | 405 | 625 | 884 | 884 | 884 |
| Enterprise Value, eop (EUR m) | 44 | 58 | 46 | 72 | 95 | 97 | 100 |
| **Profitability and valuation multiples** | **2020** | **2021** | **2022** | **2023** | **2024E** | **2025E** | **2026E** |
| PE | 8.4x | 9.4x | 4.8x | 8.1x | 10.8x | 6.5x | 8.7x |
| P/BV | 1.5x | 1.9x | 3.2x | 3.6x | 8.1x | 7.1x | 9.7x |
| Dividend yield | 14% | 8% | 23% | 24% | 14% | 15% | 11% |
| EV/EBITDA | 10.0x | 9.6x | 4.6x | 7.9x | 6.8x | 5.0x | 6.0x |

*Source: Company data, WOOD Research*

## Segment KPIs

| Franchise EUR m | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|---|---|---|---|---|---|---|
| Hungary | 149 | 148 | 131 | 131 | 131 | 131 |
| Poland | 90 | 103 | 97 | 107 | 117 | 127 |
| Czech Republic | 0 | 0 | 0 | 0 | 0 | 0 |
| **# of franchise offices (excl. Italy)** | **239** | **251** | **228** | **238** | **248** | **258** |
| Hungary | 171 | 155 | 150 | 158 | 159 | 163 |
| Poland | 88 | 65 | 88 | 92 | 111 | 111 |
| Czech Republic | 0 | 0 | 0 | 0 | 0 | 0 |
| **Rev per office (EUR k)** | **140** | **121** | **126** | **133** | **136** | **137** |
| **Commission revenues of the external franchise network (EUR m)** | **33.4** | **30.4** | **28.7** | **31.6** | **33.6** | **35.4** |
| **Revenues from franchise fees (net of VAT)** | **5.2** | **6.2** | **5.9** | **5.1** | **5.8** | **6.3** |
| Direct expenses | 0.4 | 1.4 | 1.4 | 0.5 | 0.6 | 0.6 |
| Gross profit | 4.9 | 4.8 | 4.5 | 4.6 | 5.2 | 5.6 |
| Indirect expenses | 2.8 | 3.7 | 4.1 | 3.9 | 4.1 | 4.4 |
| **EBITDA** | **2.1** | **1.1** | **0.4** | **0.7** | **1.1** | **1.3** |
| Gross profit margin | 93% | 78% | 77% | 90% | 90% | 90% |
| EBITDA margin (rhs) | 40% | 17% | 7% | 13% | 19% | 20% |
| **Own Office EUR m** | **2021** | **2022** | **2023** | **2024E** | **2025E** | **2026E** |
| Hungary | 13 | 14 | 9 | 9 | 9 | 9 |
| Poland | 7 | 8 | 8 | 8 | 8 | 8 |
| Czech Republic | 1 | 1 | 1 | 1 | 1 | 1 |
| **# of own offices** | **21** | **23** | **18** | **18** | **18** | **18** |
| Hungary | 182 | 191 | 214 | 225 | 227 | 231 |
| Poland | 343 | 205 | 249 | 277 | 295 | 301 |
| Czech Republic | 1,233 | 912 | 566 | 589 | 610 | 622 |
| **Rev per office (EUR k)** | **286** | **227** | **249** | **268** | **279** | **284** |
| **Commission revenues of the own offices (EUR m)** | **6.0** | **5.2** | **4.5** | **4.8** | **5.0** | **5.1** |
| Network gross profit margin (network revenues/gross profit) | 33% | 34% | 35% | 33% | 33% | 33% |
| **Net sales revenue from own office** | **5.4** | **4.3** | **4.0** | **4.3** | **4.5** | **4.5** |
| Direct expenses | 3.5 | 2.5 | 2.4 | 2.7 | 2.8 | 2.8 |
| Gross profit | 2.0 | 1.8 | 1.6 | 1.6 | 1.7 | 1.7 |
| Indirect expenses | 1.3 | 1.6 | 1.4 | 1.4 | 1.4 | 1.4 |
| **EBITDA** | **0.7** | **0.2** | **0.2** | **0.2** | **0.3** | **0.3** |
| Gross profit margin | 36% | 42% | 40% | 37% | 37% | 38% |
| EBITDA margin (rhs) | 12% | 4% | 5% | 5% | 6% | 6% |
| **Real estate brokerage: own office plus franchise EUR m** | **2021** | **2022** | **2023** | **2024E** | **2025E** | **2026E** |
| **Total commissions revenue from real estate brokerage** | **39.4** | **35.7** | **33.2** | **36.5** | **38.6** | **40.5** |
| **Total Revenues from real estate brokerage** | **10.7** | **10.5** | **9.9** | **9.4** | **10.3** | **10.8** |
| Direct expenses | 3.9 | 3.9 | 3.8 | 3.2 | 3.4 | 3.4 |
| Gross profit | 6.8 | 6.6 | 6.1 | 6.2 | 6.9 | 7.3 |
| Indirect expenses | 4.1 | 5.4 | 5.5 | 5.3 | 5.5 | 5.8 |
| **EBITDA** | **2.8** | **1.2** | **0.6** | **0.9** | **1.4** | **1.6** |
| Gross profit margin | 64% | 63% | 62% | 66% | 67% | 68% |
| EBITDA margin | 26% | 12% | 6% | 10% | 13% | 15% |
| **Financial intermediation EUR m** | **2021** | **2022** | **2023** | **2024E** | **2025E** | **2026E** |
| **Volume of loans intermediated by Duna House** | | | | | | |
| Hungary | 284 | 227 | 186 | 328 | 319 | 315 |
| growth | 17% | -20% | -18% | 76% | -3% | -1% |
| Poland | 911 | 615 | 691 | 698 | 745 | 819 |
| growth | 76% | -32% | 12% | 1% | 7% | 10% |
| Italy | | 1,293 | 1,051 | 1,313 | 1,379 | 1,448 |
| growth | | | -19% | 25% | 5% | 5% |
| Hungary market share | 6.7% | 7.5% | 7.0% | 8.0% | 8.0% | 8.0% |
| Poland market share | 4.6% | 6.6% | 5.0% | 5.0% | 5.0% | 5.0% |
| Blended commission rate in PL and HU | 2.3% | 2.7% | 3.3% | 3.3% | 3.3% | 3.3% |
| **Revenue** | **27.0** | **58.3** | **63.6** | **76.0** | **80.1** | **84.5** |
| Direct expenses | 21.1 | 41.6 | 46.5 | 55.1 | 56.1 | 59.1 |
| Gross profit | 5.8 | 16.7 | 17.1 | 20.9 | 24.0 | 25.3 |
| Indirect expenses | 2.0 | 9.0 | 11.6 | 10.0 | 10.2 | 10.5 |
| **EBITDA** | **3.8** | **7.7** | **5.5** | **10.9** | **13.9** | **14.9** |
| Gross profit margin | 22% | 29% | 27% | 28% | 30% | 30% |
| EBITDA margin | 14% | 13% | 9% | 14% | 17% | 18% |
| **Property Investment EUR m** | **2021** | **2022** | **2023** | **2024E** | **2025E** | **2026E** |
| **Revenue** | **2.8** | **8.7** | **12.7** | **5.2** | **8.2** | **0.0** |
| Direct expenses | 0.5 | 5.0 | 10.2 | 3.2 | 4.5 | 0.0 |
| Gross profit | 2.3 | 3.7 | 2.5 | 2.0 | 3.6 | 0.0 |
| Indirect expenses | 3.1 | 0.8 | -0.1 | 0.0 | 0.0 | 0.0 |
| **EBITDA** | **-0.8** | **2.8** | **2.5** | **2.0** | **3.6** | **0.0** |

*Source: Company data, WOOD Research*

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